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DE RUEHHK #1991 3021039

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FM AMCONSUL HONG KONG

TO RUEHC/SECSTATE WASHDC 6125

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RUEHOO/CHINA POSTS COLLECTIVE

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RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS HONG KONG 001991

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STATE FOR EAP/CM AND EEB/OMA, TREASURY FOR OASIA

E.O. 12958: N/A

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SUBJECT: Hang Seng Bounces 14.35 percent, Regains Monday's Losses and More

¶1. A day after the biggest single day drop in the Hang Seng Index since 1989, the Index regained all of what it had lost on Monday and more. By the end of Tuesday trading, the Hang Seng Index was up 14.35 percent to 12,596, a gain of 1580 points, the largest one day gain since 1997. Volume was higher than recent norms at almost HKD 85 billion. A big loser on Monday, HSBC led the rebound, gaining 20 percent from yesterday. Even Bank of East Asia (BEA), which issued a profit warning early in the day, saw its shares rise. Banking stocks across the board performed well with ICBC up 16 percent, Bank of Communication up 23 percent, and Bank of China up 22 percent. Chinese property companies were the only shares that continued to trade lower. Sinoland fell 1 percent while China Overseas Land Investment dropped 10 percent.

¶2. Local analysts were skeptical about the prospect for additional gains. Wild swings have become the norm in recent days, and many expected today's gains to be given back in short order. Chinese Premier Wen Jia-bao, on a visit to Russia, told the press that China had confidence in Hong Kong's economic fundamentals and would support the Special Administrative Region during the global financial crisis. Financial Secretary John Tsang told reporters that the government "has a set of measures ready and will act if needed", but he also warned that the market would continue to be volatile.

¶3. Interbank liquidity loosened considerably for all tenures. HIBOR on Tuesday, October 28 was 0.6 for over night, down from 1 percent on Monday; 1.25 percent for one week, down from 2 percent; 2.5 percent for two weeks, down from 2.75 percent, 3.25 percent for one month, down from 3.8 percent; 3.6 percent for two months, down from 4.05 percent; and 3.85 percent for three, six, and twelve month borrowing, down from 4.15 percent for three and six month borrowing and 4.1 percent for 12 month loans on Monday.

Roach, Fung, Davies, Lau head Economic Task Force

¶4. Hong Kong Chief Executive Donald Tsang announced the creation of a high-level economic task force to monitor and assess the impact of the global financial crisis on the Hong Kong economy. The task force will be chaired by Tsang and consist of ten members, including Morgan Stanley Asia Chairman Stephen Roach, Standard Chartered Executive Director Mervyn Davies, Chinese University of Hong Kong Vice Chancellor Lawrence Lau and local tycoon Victor Fung. The move fulfills one pledge in the Chief Executive's recent policy address and will advise the government on ways to overcome the financial crisis and promote new business opportunities in Hong Kong.